

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: <u>0 1 — 0 1 7</u>	2. STATE: Minnesota
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE July 1, 2001	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)		
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.252	7. FEDERAL BUDGET IMPACT: a. FFY '01 \$ 6,532 b. FFY '02 \$ 25,560	
d. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Att. 4.19-A (Inpat. Hospital), pp. 1-49	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Att. 4.19-A (Inpat. Hospital), pp. 1-50	
10. SUBJECT OF AMENDMENT: Methods and Standards for Determining Payment rates for Inpatient Hospital Services Provided by Non-State Owned facilities		
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		
12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Ann Berg for Mary Kennedy</i> 13. TYPED NAME: Mary B. Kennedy 14. TITLE: Medicaid Director 15. DATE SUBMITTED: August 24, 2001	16. RETURN TO: Stephanie Schwartz Minnesota Department of Human Services 444 Lafayette Road North St. Paul, MN 55155-3853	
FOR REGIONAL OFFICE USE ONLY		
17. DATE RECEIVED: 8/27/01	18. DATE APPROVED: <i>February 7, 2002</i>	
PLAN APPROVED - ONE COPY ATTACHED		
19. EFFECTIVE DATE OF APPROVED MATERIAL: <i>July 1, 2001</i> 21. TYPED NAME: Cheryl A. Harris	20. SIGNATURE OF REGIONAL OFFICIAL: <i>Minnie Hod Puffin, Acting</i> 22. TITLE: Associate Regional Administrator Division of Medicaid and Children's Health	
23. REMARKS:		

RECEIVED

AUG 27 2001

DMCH/ARA

MINNESOTA  
MEDICAL ASSISTANCE  
Federal Budget Impact of Proposed State Plan Amendment TN 01-17  
Attachment 4.19-A: Additional Inpatient Hospital Rate Adjustment

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The payment rates for two inpatient hospitals will be increased to recognize their high levels of charity care. A summary of the costs follows.

	<u>FFY '01*</u>	<u>FFY '02</u>
Total cost	\$12,780,000	\$51,120,000
FFP	51.11%	50.00%
Total MA Cost	\$12,780,000	\$51,120,000
State share	\$ 6,248,142	\$25,560,000
<b>Federal share</b>	<b>\$ 6,531,858</b>	<b>\$25,560,000</b>

\* July 15, 2001 through September 30, 2001

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**Methods and Standards for Determining Payment Rates for Inpatient  
Hospital Services Provided by Non-State Owned Facilities**

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- 4.0 Determination of Relative Values of the Diagnostic Categories
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- 6.0 Determination of Adjusted Base Year Operating Cost Per Day
- 7.0 Determination of Hospital Cost Index (HCI)
- 8.0 Determination of Property Cost Per Admission
- 9.0 Determination of Property Cost Per Day
- 10.0 Determination of Rate Per Admission and Per Day
- 11.0 Recapture of Depreciation
- 12.0 Payment Procedures
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## 1.0 PURPOSE AND SCOPE

The Minnesota inpatient hospital payment system under the Medical Assistance program is authorized by state law. Payment rates are prospectively established on a per admission or per day basis under a diagnostic related group (DRG) system that condenses Medicare categories into Minnesota diagnostic categories. Rates are differentiated by eligibility (Medical Assistance, Minnesota Family Investment Program or MFIP, Medical Assistance non-MFIP) and specialty (Rehabilitation Distinct Part, Neonatal Transfer). The system provides for the payment of operating and property costs with additional payments including a disproportionate population adjustment and an appeals mechanism.

The rate setting methodology is based on the cost finding and allowable cost principles of the Medicare program. The rates are established for each calendar year using hospital specific Medical Assistance claims data and cost that is trended for inflation to the current year from a base year. Rates are rebased to more current data every two years.

The methodology described in this Attachment is effective for admissions occurring on or after October 25, 1993.

To be eligible for payment, inpatient hospital services must be medically necessary.

Minnesota has in place a public process that complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

## 2.0 DEFINITIONS

**Accommodation service.** "Accommodation service" means those inpatient hospital services included by a hospital in a daily room charge. They are composed of general routine services and special care units. These routine and special care units include the nursery, coronary, intensive, neonatal, rehabilitation, psychiatric, and chemical dependency units.

**Adjusted base year operating cost.** "Adjusted base year operating cost" means a hospital's allowable base year operating cost per admission or per day, adjusted by the hospital cost index.

**Admission.** "Admission" means the time of birth at a hospital or the act that allows a recipient to officially enter a hospital to receive inpatient hospital services under the supervision of a physician who is a member of the medical staff.

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**Allowable base year operating cost.** "Allowable base year operating cost" means a hospital's base year inpatient hospital cost per admission or per day that is adjusted for case mix and excludes property costs.

**Ancillary service.** "Ancillary service" means inpatient hospital services that include laboratory and blood, radiology, anesthesiology, pharmacy, delivery and labor room, operating and recovery room, emergency room and outpatient clinic, therapy, medical supplies, renal dialysis, psychiatric, and chemical dependency services customarily charged in addition to an accommodation service charge.

**Base year.** "Base year" means a hospital's fiscal year that is recognized by Medicare, or a hospital's fiscal year specified by the commissioner if a hospital is not required to file information with Medicare, from which cost and statistical data are used to establish rates.

**Case mix.** "Case mix" means a hospital's admissions distribution of relative values among the diagnostic categories.

**Charges.** "Charges" means the usual and customary payment requested by the hospital of the general public.

**Cost outlier.** "Cost outlier" means the adjustment included in the relative value that is applied to the admission and outlier rates so that payment is adjusted for exceptionally high cost stays. The adjustment is applied to all admissions with an above average cost, including patients that have not yet attained the age of one in all hospitals and that have not yet attained the age of six in disproportionate population hospitals.

**Cost-to-charge ratio.** "Cost-to-charge ratio" means a ratio of a hospital's inpatient hospital costs to its charges for inpatient hospital services.

**Day outlier.** "Day outlier" means an admission where the length of stay exceeds the mean length of stay for neonate and burn diagnostic categories by one standard deviation, and in the case of all other diagnostic categories by two standard deviations.

**Diagnostic categories.** "Diagnostic categories" means the diagnostic classifications containing one or more diagnostic related groups (DRGs) used by the Medicare program. The DRG classifications must be assigned according to the base year program and specialty groups with modifications as specified in items A to E.

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**A. Diagnostic categories eligible under the Medical Assistance non-Minnesota family investment program.** The following diagnostic categories are for persons eligible under Medical Assistance non-MFIP except as provided in items B, C or D:

DIAGNOSTIC CATEGORIES	DRG NUMBERS WITHIN DIAGNOSTIC CATEGORIES	INTERNATIONAL CLASSIFICATION OF DISEASES, 9th Ed. CLINICAL MODIFICATIONS
<b>A. Nervous System Conditions</b>		
(1) Treated with Craniotomy, Age >17	001, 002	
(2) Treated with Craniotomy, Age 0-17	003	
(3) [Reserved for future use]		
(4) [Reserved for future use]		
(5) [Reserved for future use]		
(6) Nervous System Neoplasms	010, 011	
(7) [Reserved for future use]		
(8) [Reserved for future use]		
(9) [Reserved for future use]		
(10) [Reserved for future use]		
(11) [Reserved for future use]		
(12) [Reserved for future use]		
(13) [Reserved for future use]		
(14) [Reserved for future use]		
(15) [Reserved for future use]		
(16) Treated with Other Surgical Procedures	004, 005, 007	
(17) Peripheral, Cranial, and Other Nerve Procedure without CC	008	
(18) Other Nervous System Diseases Treated Without Surgery	013, 015, 017	
(19) Spinal Disorders/Injuries and Nervous System Infection	009, 020	
(20) Specific Cerebral Vascular and Cranial/Peripheral Nerve Disorders	014, 018, 019	
(21) Degenerative and Nonspecific Cerebral Vascular Disorders with CC	012, 016	
(22) Seizure and Headache	024-026	
(23) Traumatic Stupor with Coma > 1 Hr, and Coma < 1 Hr, Age > 17 with CC	027, 028	
(24) Viral Meningitis, Hypertensive Encephalopathy, Concussion Age > 17 with CC, Other Stupor and Coma	021-023, 029, 031	

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(25)	Concussion, Age 0-17 and Age > 17 without CC	032, 033	
(26)	Stupor and Coma < 1 Hr, Age 0-17 and Other Disorders of the Nervous System	030, 034, 035	
B. Eye Diseases and Disorders		036-048	
C. Ear, Nose, Throat, and Diseases and Disorders			
(1)	Treated with Tonsillectomy/Adenoidectomy Only	059, 060	
(2)	Treated with Myringotomy with Tube Insertion, Age 0-17	062	
(3)	Otitis Media and URI	068-070	
(4)	Dental and Oral Disorders	185-187	
(5)	[Reserved for future use]		
(6)	Other Ear, Nose, Throat and Mouth Conditions	049-058, 061, 063-067, 071-074, 168, 169	Codes in DRG 049 except 20.96-20.98
D. Respiratory System Conditions			
(1)	Treated with Ventilator Support for < 96 Hours	475	Excludes 96.72
(2)	[Reserved for future use]		
(3)	Treated with Ventilator Support for 96 + Hours	475	Includes 96.72
(4)	Treated with Tracheostomy Except For Face, Mouth, and Neck Diagnoses	483	
(5)	[Reserved for future use]		
(6)	Respiratory Neoplasms	082	
(7)	[Reserved for future use]		
(8)	[Reserved for future use]		
(9)	[Reserved for future use]		
(10)	Treated with Tracheostomy for Face, Mouth, and Neck Diagnoses	482	
(11)	Simple Pneumonia and Pleurisy, Age 0-17 and Age >17 without CC	090,091	
(12)	Major Chest Procedures and OR Procedures with CC	075, 076	
(13)	Major Respiratory Diseases and Disorders Treated with Surgery	078, 079, 087, 092, 101	
(14)	Other OR Procedures without CC	077	

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|--|--|
| (15) Specific Respiratory System Diseases and Other Diseases with CC | 080, 081, 083, 085, 088, 089, 094, 099 |
| (16) Respiratory System Diseases without CC and Bronchitis, Age >17  | 084, 086, 093 095-097, 100, 102        |
| <br>E. Circulatory System Conditions (1)                             |  |
| (1) [Reserved for future use]  |  |
| (2) [Reserved for future use]  |  |
| (3) Percutaneous Cardiac and Other Vascular Procedures               | 111, 112, 114, 116-120, 479            |
| (4) Major Cardiac Surgeries  | 104-106, 108                           |
| (5) Other Cardiac Interventional and Surgical Procedures             | 107, 109, 110, 115                     |
| (6) [Reserved for future use]  |  |
| (7) [Reserved for future use]  |  |
| (8) [Reserved for future use]  |  |
| (9) [Reserved for future use]  |  |
| (10) Major Cardiac Disorders Treated without Surgery                 | 122-125, 127, 129, 137, 138, 144       |
| (11) Acute MI, Congenital Heart Disease with CC, and Endocarditis    | 121, 126, 135                          |
| (12) Other Circulatory Conditions                                    | 132-134, 136, 139-143, 145             |
| (13) Deep Vein Thrombophlebitis and Peripheral Vascular Disorders    | 128, 130, 131                          |
| (14) Procedures for Major Vascular Diseases and Conditions           | 113, 478                               |
| <br>F. Digestive System Diseases and Disorders                       |  |
| (1) Treated with Anal and Stomal Procedures                          | 157-158                                |
| (2) Treated with Hernia Procedures                                   | 159-163                                |
| (3) Treated with Appendectomy with Compl. Prin Diag or CC            | 164-166                                |
| (4) Treated with Appendectomy without Compl. Prin Diag or CC         | 167                                    |
| (5) Treated with Other Surgical Procedure                            | 146-156, 170-171                       |
| (6) Esophagitis, Gastroent, or Misc Digestive Disorders, Age > 17    | 182-183                                |
| (7) Other Digestive System Condition                                 | 172-181, 188-190                       |

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G. Hepatobiliary System Conditions

- |   |                     |   |
|---|---------------------|---|
| (1) [Reserved for future use]                         |                     |   |
| (2) [Reserved for future use]                         |                     |   |
| (3) Cirrhosis and Alcoholic Hepatitis                 | 202                 |   |
| (4) Malignancy of Hepatobiliary<br>System or Pancreas | 203                 |   |
| (5) Disorders of the Pancreas Except<br>Malignancy    | 204                 |   |
| (6) Other Disorders of the Liver                      | 205, 206            |   |
| (7) Disorders of the Biliary Tract                    | 207, 208            |   |
| (8) Treated with Surgical Procedure                   | 191-201, 493<br>494 | Codes in DRG<br>191 except<br>52.80-52.86 |

H. Diseases and Disorders of the Musculoskeletal System and  
Connective Tissues

- |  |               |
|--|---------------|
| (1) Treated with Major Joint and<br>Limb Reattachment Procedures           | 209, 472, 491 |
| (2) Treated with Hip and Femur<br>Procedures or Amputation                 | 210-213       |
| (3) [Reserved for future use]  |               |
| (4) [Reserved for future use]  |               |
| (5) Treated with Wound Debrid or<br>Skin Graft Except Hand                 | 217           |
| (6) Treated with Lower Extrem and<br>Humer Proc Except Hip, Foot,<br>Femur | 218-220       |
| (7) [Reserved for future use]  |               |
| (8) Treated with Upper Extremity<br>Procedure                              | 223-224       |
| (9) Treated with Foot Procedure  | 225           |
| (10) Treated with Soft Tissue<br>Procedure                                 | 226-227       |
| (11) [Reserved for future use]   |               |
| (12) [Reserved for future use]   |               |
| (13) [Reserved for future use]   |               |
| (14) [Reserved for future use]   |               |
| (15) Other Musculoskeletal System and<br>Connective Tissues Conditions     | 235-256       |
| (16) [Reserved for future use]   |               |
| (17) Spinal Fusion: Combined Anterior/<br>Posterior and Fusion with CC     | 496, 497      |
| (18) Treated with Back and Neck<br>Procedures                              | 498, 499      |
| (19) Treated with Knee Procedure   | 501-503       |
| (20) Treated with Biopsy or Other<br>Surgical Procedures                   | 216, 233, 234 |

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|---|---------------|
| (21) Hand and Wrist Procedures and<br>Carpal Tunnel Release             | 006, 228, 229 |
| (22) Treated with Local Excision and<br>Removal of Internal Fix Devices | 230, 231      |
| (23) Arthroscopy, Other Back and Neck<br>Procedures without CC          | 232, 500      |

I. Diseases and Disorders of the Skin, Subcutaneous  
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- |   |                            |
|---|----------------------------|
| (1) Treated with Mastectomy for<br>Malignancy                 | 257-260                    |
| (2) Treated with Skin Graft or<br>Debridement                 | 263-266                    |
| (3) Skin Ulcers   | 271                        |
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J. Endocrine, Nutritional, and Metabolic Diseases  
and Disorders

- |   |                      |  |
|---|----------------------|--|
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| (3) Diabetes, Age 0-35  | 295                  |  |
| (4) Nutritional and Metabolic<br>Disorders                    | 296-299              |  |
| (5) [Reserved for future use]                                 |                      |  |
| (6) Other Endocrine, Nutritional,<br>and Metabolic Conditions | 289-293,<br>300, 301 | Codes in DRG<br>292 except 52.80-<br>52.86 |

K. Kidney and Urinary Tract Conditions

- |   |         |
|---|---------|
| (1) Treated with Kidney, Ureter, or<br>Major Bladder Procedure          | 303-305 |
| (2) Treated with Prostatectomy, Minor<br>Bladder, or Urethral Procedure | 306-314 |
| (3) Treated with Other Surgical<br>Procedure                            | 315     |
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L. Male Reproductive System Conditions 334-352

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M. Female Reproductive System Conditions

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|-----|--|------------------|
| (1) | Treated with Tubal Interruption Procedure                | 361, 362         |
| (2) | Treated with D&C, Conization, or Radio-Implant           | 363, 364         |
| (3) | Female Reproductive System Infection                     | 368              |
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N. Pregnancy Related Conditions

- |      |  |         |
|------|--|---------|
| (1)  | [Reserved for future use]  |         |
| (2)  | [Reserved for future use]  |         |
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P. Blood and Immunity Disorders

- |     |   |          |
|-----|---|----------|
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| (2) | [Reserved for future use]   |          |
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Q. Myeloproliferative Diseases and Disorders,  
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Other Neoplasms

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| (1) | [Reserved for future use]                            |               |
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- |     |                                |     |
|-----|--------------------------------|-----|
| (1) | With Complicating Diagnosis    | 370 |
| (2) | Without Complicating Diagnosis | 371 |

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DD. Vaginal Delivery

- (1) [Reserved for future use]
- (2) Without Complicating Diagnosis  
or Operating Room Procedures 373
- (3) With Operating Room Procedure 374-375
- (4) With Complicating Diagnosis 372

EE. [Reserved for future use]

FF. Depressive Neurosis 426

GG. Psychosis

- (1) (Age 0-17) 430
- (2) (Age > 17) 430

HH. Childhood Mental Disorders 431

II. Operating Room Procedure Unrelated to Principal Diagnosis

- (1) Extensive 468
- (2) Nonextensive 476, 477

JJ. [Reserved for future use]

KK. Extreme Immaturity

- (1) (Weight < 750 Grams) 386 76501, 76502
- (2) [Reserved for future use]
- (3) [Reserved for future use]
- (4) (Weight 750-1499 Grams) 386 76503, 76504, 76505  
387 76500
- (5) Neonate Respiratory Distress  
Syndrome 386 Codes in DRG 386  
except 76501 to 76505

LL. Prematurity with Major Problems

- (1) (Weight < 1250 Grams) 387 76511, 76512,  
76513, 76514
- (2) (Weight 1250 to 1749 Grams) 387 76506, 76510  
76515, 76516
- (3) (Weight >1749 Grams) 387 Codes in DRG 387  
except 76500, 76506,  
76510 to 76516

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MM. Prematurity without Major Problems 388

NN. Full Term Neonates

(1) With Major Problems (Age 0) 389  
(2) With Other Problems 390

OO. Multiple Significant Trauma 484-487

PP. Implantation or Replacement of Cochlear Prosthetic Device 049 Includes 20.96-20.98 only

QQ. Normal Newborns 391

RR. Neonates, Died on Birth Date 385 Includes neonates who expire in the birth hospital, and discharge date is the same as the birth date

SS-TT. [Reserved for future use]

UU. Organ Transplants

(1) Kidney and Pancreas Transplant 302, 191, 292 DRG 191, 292 includes 52.80-52.86 only  
(2) Heart, liver, Bone Marrow, 103, 480, Bowel transplant includes any DRG with procedure 46.99 and Lung, and Bowel Transplants 481, 495 Revenue Code 811 or 812 only  
(3) [Reserved for future use]  
(4) [Reserved for future use]  
(5) [Reserved for future use]

VV. Conditions Originating in the Perinatal Period (Age >0) 389

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WW. Human Immunodeficiency Virus

- |     |   |     |
|-----|---|-----|
| (1) | Treated with Extensive Operating Room Procedure | 488 |
| (2) | With Major Related Condition                    | 489 |
| (3) | With or Without Other Related Condition         | 490 |

**B. Diagnostic categories eligible under the Minnesota family investment program.** The following diagnostic categories are for persons eligible for Medical Assistance under MFIP except as provided in items C or D:

DIAGNOSTIC CATEGORIES	DRG NUMBERS WITHIN DIAGNOSTIC CATEGORIES	INTERNATIONAL CLASSIFICATION OF DISEASES, 9th Ed. CLINICAL MODIFICATIONS
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A. Nervous System Conditions

- |      |   |                                |                                  |
|------|---|--------------------------------|----------------------------------|
| (1)  | [Reserved for future use]                                   |                                |                                  |
| (2)  | [Reserved for future use]                                   |                                |                                  |
| (3)  | Treated with Craniotomy and Cochlear Implants               | 001-003,<br>049                | 049 includes<br>20.96-20.98 only |
| (4)  | [Reserved for future use]                                   |                                |                                  |
| (5)  | [Reserved for future use]                                   |                                |                                  |
| (6)  | [Reserved for future use]                                   |                                |                                  |
| (7)  | [Reserved for future use]                                   |                                |                                  |
| (8)  | [Reserved for future use]                                   |                                |                                  |
| (9)  | [Reserved for future use]                                   |                                |                                  |
| (10) | Seizure and Headache, Age > 17                              | 024, 025                       |                                  |
| (11) | Seizure and Headache, Age 0-17                              | 026                            |                                  |
| (12) | [Reserved for future use]                                   |                                |                                  |
| (13) | [Reserved for future use]                                   |                                |                                  |
| (14) | [Reserved for future use]                                   |                                |                                  |
| (15) | [Reserved for future use]                                   |                                |                                  |
| (16) | Cerebral Vascular and CNS Disorders Treated without Surgery | 013-015, 017,<br>019, 021, 022 |                                  |
| (17) | Treated with Other Surgical Procedures                      | 004, 007, 008                  |                                  |
| (18) | Neoplasms and Other Nervous System Disorders                | 010, 011, 034, 035             |                                  |

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- |  |                                 |
|--|---------------------------------|
| (19) Infection, Traumatic Stupor<br>with Coma > 1 Hr, and Other<br>Major Disorders | 009, 012, 016, 018,<br>020, 027 |
| (20) Stupor and Coma < 1 Hr and<br>Concussion, Age > 17                            | 023, 028-032                    |
| (21) Concussion, Age 0-17  | 033                             |

## B. Eye Diseases and Disorders 036-048

## C. Ear, Nose, Throat, and Mouth Diseases and Disorders

- |   |  |   |
|---|--|---|
| (1) Treated with Tonsillectomy/<br>Adenoidectomy Only         | 059, 060                                       |   |
| (2) Treated with Myringotomy with<br>Tube Insertion, Age 0-17 | 062  |   |
| (3) Otitis Media and URI                                      | 068-070  |   |
| (4) Dental and Oral Disorders                                 | 185-187  |   |
| (5) [Reserved for future use]                                 |  |   |
| (6) Other Ear, Nose, Throat, and<br>Mouth Conditions          | 049-058, 061,<br>063-067, 071-074,<br>168, 169 | Codes in DRG<br>049 except<br>20.96-20.98 |

## D. Respiratory System Conditions

- |  |  |                |
|--|--|----------------|
| (1) Treated with Ventilator Support<br>for < 96 Hours                                      | 475  | Excludes 96.72 |
| (2) [Reserved for future use]  |  |                |
| (3) Treated with Ventilator Support<br>for 96 + Hours                                      | 475  | Includes 97.72 |
| (4) [Reserved for future use]  |  |                |
| (5) [Reserved for future use]  |  |                |
| (6) [Reserved for future use]  |  |                |
| (7) [Reserved for future use]  |  |                |
| (8) [Reserved for future use]  |  |                |
| (9) [Reserved for future use]  |  |                |
| (10) Treated with Tracheostomy   | 482, 483   |                |
| (11) Respiratory Failure, Neoplasms,<br>Infections, and COPD                               | 079, 081, 082, 087, 088                                    |                |
| (12) Major Chest Procedures  | 075  |                |
| (13) Pleural Effusion, Pulmonary<br>Embolism, Pneumothorax, and<br>Other Disorders with CC | 078, 085, 086, 092,<br>094, 095, 101                       |                |
| (14) Other OR Procedures   | 076, 077   |                |
| (15) Other Respiratory System<br>Diseases  | 080, 083, 084,<br>089-091, 093, 096,<br>097, 099, 100, 102 |                |

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E. Circulatory System Conditions

- (1) [Reserved for future use]
- (2) [Reserved for future use]
- (3) Percutaneous Cardiac and Other 005, 111, 112, 114,  
Vascular Procedures 116-120, 479
- (4) Major Cardiac Surgeries 104-106, 108
- (5) Other Cardiac and Vascular 107, 109, 110,  
Interventional and Surgical 113, 115, 478  
Procedures
- (6) [Reserved for future use]
- (7) [Reserved for future use]
- (8) [Reserved for future use]
- (9) [Reserved for future use]
- (10) Major Cardiac Disorders Treated 121-127, 129,  
without Surgery 135, 137, 144
- (11) [Reserved for future use]
- (12) Other Circulatory Conditions 132-134, 136  
138-143, 145
- (13) Deep Vein Thrombophlebitis and  
Peripheral Vascular Disorders 128, 130, 131

F. Digestive System Diseases and Disorders

- (1) Treated with Anal and Stomal  
Procedures 157-158
- (2) Treated with Hernia Procedures 159-163
- (3) Treated with Appendectomy with  
Compl. Prin Diag or CC 164-166
- (4) Treated with Appendectomy  
without Compl. Prin  
Diag or CC 167
- (5) Treated with Other Surgical  
Procedure 146-156, 170-171
- (6) Esophagitis, Gastroent, or Misc  
Digestive Disorders, Age > 17 182-183
- (7) Other Digestive System Condition 172-181, 188-190

G. Hepatobiliary System Conditions

- (1) [Reserved for future use]
- (2) [Reserved for future use]
- (3) Cirrhosis & Alcoholic Hepatitis 202
- (4) [Reserved for future use]
- (5) Malignancy of Hepatobiliary  
System or Pancreas & Other  
Disorders of Pancreas 203, 204
- (6) Other Disorders of the Liver 205, 206
- (7) Disorders of the Biliary Tract 207, 208

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(8)	Treated with Surgical Procedure	191-201, 493, 494	Codes in DRG 191 except 52.80-52.86
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H. Diseases and Disorders of the Musculoskeletal System  
and Connective Tissues

(1)	Treated with Major Joint and Limb Reattachment Procedures	209, 471, 491
(2)	Treated with Hip and Femur Procedures or Amputation	210-213
(3)	[Reserved for future use]	
(4)	[Reserved for future use]	
(5)	Treated with Wound Debride or Skin Graft Except Hand	217
(6)	Treated with Lower Extrem and Humer Proc Except Hip, Foot, Femur	218-220
(7)	[Reserved for future use]	
(8)	Treated with Upper Extremity Procedure	223-224
(9)	Treated with Foot Procedure	225
(10)	[Reserved for future use]	
(11)	[Reserved for future use]	
(12)	[Reserved for future use]	
(13)	[Reserved for future use]	
(14)	Other Musculoskeletal, Connective, and Soft Tissue Procedures	226, 227, 235-256
(15)	[Reserved for future use]	
(16)	[Reserved for future use]	
(17)	Spinal Fusion: Combined Anterior/ Posterior and Fusion with CC	496, 497
(18)	Treated with Back and Neck Procedures	498, 499
(19)	Treated with Knee Procedure	501-503
(20)	Other Surgical Procedures or Biopsy	216, 232-234, 500
(21)	Hand and Wrist Procedures and Carpal Tunnel Release	006, 228, 229
(22)	Treated with Local Excision and Removal of Internal Fix Devices	230, 231
(23)	[Reserved for future use]	

I. Diseases and Disorders of the Skin, Subcutaneous Tissue, and Breast

(1)	Treated with Mastectomy for Malignancy	257-260
(2)	Treated with Skin Graft or Debridement	263-266

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- 
- (3) [Reserved for future use]
  - (4) Other Skin, Subcutaneous Tissue,  
Breast Conditions, and  
Skin Ulcers 261, 262, 267-284

J. Endocrine, Nutritional, and Metabolic Diseases and Disorders

- (1) Treated with Major Surgical  
Procedure 285-288
- (2) Diabetes, Age > 35 294
- (3) Diabetes, Age 0-35 295
- (4) Nutritional and Metabolic  
Disorders 296-299
- (5) [Reserved for future use]
- (6) Other Endocrine, Nutritional,  
and Metabolic Conditions 289-293, 300,  
301 Codes in DRG  
292 except  
52.80-52.86

K. Kidney and Urinary Tract Conditions

- (1) Renal Failure and Renal  
System Procedures 303, 304, 305, 316
- (2) Treated with Other Surgical  
Procedure 306, 315
- (3) [Reserved for Future Use]
- (4) [Reserved for future use]
- (5) Other Kidney and Urinary Tract  
Conditions 317-333
- (6) [Reserved for future use]
- (7) [Reserved for future use]
- (8) [Reserved for future use]

L. Male Reproductive System Conditions 334-352

M. Female Reproductive System Conditions

- (1) [Reserved for future use]
- (2) [Reserved for future use]
- (3) Female Reproductive System  
Infection 368
- (4) Menstrual and Other Female  
Reproductive System Disorders 369
- (5) Other Female Reproductive  
System Conditions 353-360, 365-367
- (6) Treated with Tubal  
Interruption, D&C,  
Conization, or Radio-Implant 361-364

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N. Pregnancy Related Conditions

- (1) - (2) [Reserved for future use]
- (3) Postpartum and Post Abortion  
Conditions Treated without  
Surgical Procedure 376
- (4) Postpartum and Post Abortion  
Conditions Treated with Surgical  
Procedure 377
- (5) Ectopic Pregnancy 378
- (6) Threatened Abortion 379
- (7) Abortion without D&C 380
- (8) Abortion with D&C, Aspiration  
Curettage or Hysterotomy 381
- (9) False Labor 382
- (10) Other Antepartum Conditions 383-384

O. [Reserved for future use]

P. Blood and Immunity Disorders

- (1) Treated with Surgical Procedure  
of the Blood and Blood Forming  
Organs 392-394
- (2) [Reserved for future use]
- (3) Red Blood Cell Disorders,  
Age > 17 395
- (4) Red Blood Cell Disorders,  
Age 0-17 396
- (5) Coagulation Disorders 397
- (6) Reticuloendothelial and  
Immunity Disorders 398, 399

Q. Myeloproliferative Diseases and Disorders, Poorly Differentiated  
Malignancy and Other Neoplasms

- (1) [Reserved for future use]
- (2) [Reserved for future use]
- (3) [Reserved for future use]
- (4) Treated with Radiotherapy or  
Chemotherapy 409, 410, 492
- (5) [Reserved for future use]
- (6) Other treatments for myelopro-  
liferative diseases and  
disorders 400-408, 411-414, 473

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R. Infections and Parasitic Diseases

- (1) Treated with Surgical Procedure 415
- (2) Viral and Other Infection, 418-423  
Parasitic Diseases, and Fever  
of Unknown Origin
- (3) Septicemia, Age > 17 416
- (4) Septicemia, Age 0-17 417
- (5) [Reserved for future use]
- (6) [Reserved for future use]
- (7) [Reserved for future use]

S. Mental Diseases and Disorders

- (1) Treated with Surgical Procedure 424  
(Age 0+)
- (2) (Age 0-17) 425, 427-429, 432
- (3) (Age > 17) 425, 427-429, 432

T. Substance Use and Substance Induced  
Organic Mental Disorder

434, 435

U. [Reserved for future use]

V. Injuries, Poisonings, and Toxic Effects of Drugs

- (1) Treated with Surgical Procedure 439-443
- (2) [Reserved for future use]
- (3) Traumatic Injury 444-446
- (4) [Reserved for future use]
- (5) Poisoning and Toxic Effects of  
Drugs, Age > 17 with CC and  
Allergic Reactions 447-449
- (6) Poisoning and Toxic Effects  
of Drugs, Age > 17 without CC 450
- (7) Poisoning and Toxic Effects of  
Drugs, Age 0-17 451
- (8) Other Injuries, Poisoning, and  
Toxic Effects 452-455

W. Burns

- (1) [Reserved for future use]
- (2) [Reserved for future use]
- (3) Full Thickness with Skin 504-507  
Graft and Extensive Third  
Degree Burns
- (4) Burns Without Skin Graft 508-511

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X. Factors Influencing Health Status 461-467

Y. Bronchitis and Asthma 098

Z. [Reserved for future use]

AA. Esophagitis, Gastroenteritis,  
Miscellaneous Digestive Disorders 184

BB. [Reserved for future use]

CC. Cesarean Section

- (1) With Complicating Diagnosis 370
- (2) Without Complicating Diagnosis 371

DD. Vaginal Delivery

- (1) [Reserved for future use]
- (2) Without Complicating Diagnosis  
or Operating Room Procedures 373
- (3) With Operating Room Procedure 374-375
- (4) With Complicating Diagnosis 372

EE. [Reserved for future use]

FF. Depressive Neurosis

- (1) (Age 0-17) 426
- (2) (Age > 17) 426

GG. Psychosis

- (1) (Age 0-17) 430
- (2) (Age > 17) 430

HH. Childhood Mental Disorders 431

II. Operating Room Procedure Unrelated to Principal Diagnosis

- (1) [Reserved for future use]
- (2) Nonextensive 476, 477
- (3) Extensive (Age 0-17) 468
- (4) Extensive (Age > 17) 468

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JJ. [Reserved for future use]

KK. Extreme Immaturity

(1) (Weight < 1500 Grams)	386 387	76501 to 76505 76500
(2) [Reserved for future use]		
(3) [Reserved for future use]		
(4) [Reserved for future use]		
(5) Neonate Respiratory Distress Syndrome	386	Codes in DRG 386 except 76501 to 76505

LL. Prematurity with Major Problems

(1) (Weight < 1250 Grams)	387	76511 to 76514
(2) (Weight 1250 to 1749 Grams)	387	76506, 76510 76515, 76516
(3) (Weight > 1749 Grams)	387	Codes in DRG 387 except 76500, 76506, 76510 to 76516

MM. Prematurity without Major Problems 388

NN. Full Term Neonates

(1) With Major Problems	389
(2) With Other Problems	390

OO. Multiple Significant Trauma 484-487

PP. [Reserved for future use]

QQ. Normal Newborns and  
Neonates who Died on  
the Day of Birth

391, 385	DRG 385 includes neonates who expire at the birth hospital, and discharge date is the same as the birth date
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RR.-TT. [Reserved for future use]

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UU. Organ Transplants

(1)	[Reserved for future use]		
(2)	[Kidney, Pancreas, and Bone Marrow]	302, 481, 191, 292	DRG 191, 292 includes 52.80-52.86 only
(3)	Heart, Lung, Liver, Bowel Transplants	103, 480, 495	Bowel transplant includes any DRG with procedure 46.99 and Revenue Code 811 or 812 only

VV. [Reserved for future use]

WW. Human Immunodeficiency Virus 488-490

**C. Diagnostic categories relating to a rehabilitation hospital or a rehabilitation distinct part.** The following diagnostic categories are for services provided within a rehabilitation hospital or a rehabilitation distinct part, regardless of program eligibility:

DIAGNOSTIC CATEGORIES	DRG NUMBERS WITHIN DIAGNOSTIC CATEGORIES	INTERNATIONAL CLASSIFICATION OF DISEASES, 9th Ed. CLINICAL MODIFICATIONS
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A. Nervous System Diseases and Disorders	001-035	except codes in XX
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B.-G. [Reserved for future use]

H. Diseases and Disorders of the Musculo-Skeletal System & Connective Tissues	209-213, 216- 220, 223- 256, 471, 491, 496-503	except codes in XX
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I.- QQ. [Reserved for future use]

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RR. Mental Diseases and Disorders/ Substance Use and Substance Induced Organic Mental Disorders	424-432, except codes in XX 434, 435
SS. Multiple Significant Trauma/ Unrelated Operating Room Procedures	468, 476, except codes in XX 477, 484-487
TT. Other Conditions Requiring Rehabilitation Services	036-208 except codes in XX 257-423, 439-455, 461-467, 472, 473, 475, 478-483, 488-490, 492-495, 504-511
UU. [Reserved for future use]	
VV-WW. [Reserved for future use]	
XX. Quadriplegia and Quadriparesis Secondary to Spinal Cord Injury	All DRGs Includes all DRGs with ICD-9 diagnoses codes; 344.00-344.04, or 344.09 in combination with 907.2

**D. Diagnostic categories for neonatal transfers.** The following diagnostic categories are for services provided to neonatal transfers at receiving hospitals with neonatal intensive care units, regardless of program eligibility:

DIAGNOSTIC CATEGORIES	DRG NUMBERS WITHIN DIAGNOSTIC CATEGORIES	INTERNATIONAL CLASSIFICATION OF DISEASES, 9th Ed. CLINICAL MODIFICATIONS
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A. - JJ. [Reserved for future use]

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KK. Extreme Immaturity

(1) (Weight < 750 Grams)	386	76501, 76502
(2) (Weight 750 to 999 Grams)	386	76503
(3) (Weight 1000 to 1499 Grams)	386, 387	76504, 76505
		76500
(4) [Reserved for future use]		
(5) Neonate Respiratory Distress Syndrome	386	Codes for DRG 386 except 76501 to 76505

LL. Prematurity with Major Problems

(1) (Weight < 1250 Grams)	387	76511, 76512, 76513, 76514
(2) (Weight 1250 to 1749 Grams)	387	76506, 76510, 76515, 76516
(3) (Weight 1250 to 1749 Grams)	387	Codes for DRG 387 except 76500, 76506, 76510 to 76516

MM. Prematurity without Major Problems

(Weight > 1749 Grams) 388

NN. Full Term Neonates

(1) With Major Problems (Age 0)	389
(2) With Other Problems	390

OO.-WW. [Reserved for future use]

**E. Additional DRG requirements.**

1. Version 17 of the Medicare grouper and DRG assignment to the diagnostic category must be used uniformly for all determinations of rates and payments.

2. The discharge status will be changed to "discharge to home" for DRG 433.

3. A diagnosis with the prefix "v57" will be excluded when grouping under all diagnostic categories under item C.

4. For neonates transferred to a neonatal intensive care unit with a DRG assignment of DRG 482 or DRG 483, the ICD-9-CM procedure codes 30.3, 30.4, 31.11, 31.21 and 31.29 will be excluded when grouping under items A and B.

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95-04/94-18/94-08/93-39/93-33/92-44/92-31/91-17/90-25)

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5. The discharge status will be changed to "discharge to home" for all neonates in DRG 385, except for neonates who expire at the birth hospital and the discharge date is the same as the date of birth.

6. For payment of admissions that result from the unavailability of a home health nurse, and when physician orders from home remain in effect, the principal diagnosis will be identified at V58.8, Other Specified Procedures and Aftercare.

7. Payment for bowel transplants and pancreas transplants will be made only for admissions that result in the recipient receiving a transplant during that admission.

**Hospital cost index or HCI.** "Hospital cost index" or "HCI" means the factor annually multiplied by the allowable base year operating cost to adjust for cost changes.

**Inpatient hospital costs.** "Inpatient hospital costs" means a hospital's base year inpatient hospital service costs determined allowable under the cost finding methods of Medicare without regard to adjustments in payments imposed by Medicare.

**Inpatient hospital service.** "Inpatient hospital service" means a service provided by or under the supervision of a physician after a recipient's admission to a hospital and furnished in the hospital, including outpatient services provided by the same hospital that directly precede the admission.

**Local trade area hospital.** "Local trade area hospital" means a MSA hospital with 20 or more Medical Assistance (including General Assistance Medical Care, a State-funded program;) admissions in the base year that is located in a state other than Minnesota, but in a county of the other state in which the county is contiguous to Minnesota.

**Metropolitan statistical area hospital or MSA hospital.** "Metropolitan statistical area hospital" or "MSA hospital" means a hospital located in a metropolitan statistical area as determined by Medicare for the October 1 prior to the most current rebased rate year.

**Non-metropolitan statistical area hospital or non-MSA hospital.** "Non-metropolitan statistical area hospital" or "non-MSA hospital" means a Minnesota hospital not located in a metropolitan statistical area as determined by Medicare for the October 1 prior to the most current rebased rate year.

**Operating costs.** "Operating costs" means inpatient hospital costs excluding property costs.

**Out-of-area hospital.** "Out-of-area hospital" means a hospital that is located in a state other than Minnesota excluding MSA hospitals located in a county of the other state in which the county is contiguous to Minnesota.

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**Property costs.** "Property costs" means inpatient hospital costs not subject to the hospital cost index, including depreciation, interest, rents and leases, property taxes, and property insurance.

**Rate year.** "Rate year" means a calendar year from January 1 through December 31.

**Rehabilitation distinct part.** "Rehabilitation distinct part" means inpatient hospital services that are provided by a hospital in a unit designated by Medicare as a rehabilitation distinct part.

**Relative value.** "Relative value" means the mean operating cost within a diagnostic category divided by the mean operating cost in all diagnostic categories within a program at diagnostic category A or B or specialty group C or D. The relative value is calculated from the total allowable operating costs of all admissions. This includes the full, untruncated costs of all exceptionally high cost or long stay admissions. Due to this inclusion of all costs, the relative value is composed of two parts. The basic unit of the relative value adjusts for the cost of an average admission within the given diagnostic category. The additional component of the relative value consists of an adjustment to compensate for the costs of exceptionally high cost admissions occurring within the diagnostic category. This factor, when applied to the base rate and the day outlier rate, cause additional payment adjustments to be made to compensate for cost outliers typically found within the diagnostic category. Since all cost is included, the cost outlier threshold is the average cost and is set to pay a cost outlier adjustment for all admissions with a cost that is above the average. The amount of payment adjustment to the operating rate increases as the cost of an admission increases above the average cost.

**Transfer.** "Transfer" means the movement of a recipient after admission from one hospital directly to another hospital with a different provider number or to or from a rehabilitation distinct part.

**Trim point.** "Trim point" means that number of inpatient days beyond which an admission is a day outlier.

### 3.0 ESTABLISHMENT OF BASE YEARS

A. Except as provided in items B and C, the base year for the 1993 rate year shall be each Minnesota and local trade area hospital's most recent Medicare cost reporting period ending prior to September 1, 1988. If that cost reporting period is less than 12 months, it must be supplemented by information from the prior cost reporting period so that the base year is 12 months except for hospitals that closed during the base year.

B. The base year for the 1993 rate year of a children's hospital shall be the hospital's most recent fiscal year ending prior to January 1, 1990. A children's hospital is one in which more than 50 percent of the admissions are individuals less than 18 years of age.

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C. The base year for the 1993 rate year for a long-term hospital shall be that part of the most recent fiscal year ending prior to September 1, 1989, for which the hospital was designated a long-term hospital by Medicare.

The base year data will be moved forward three years for all hospitals subject to item A, one year for hospitals subject to item B, and two years for hospitals subject to item C beginning with the 1995 rate year. The base year data will be moved forward every two years after 1995 except for 1997 or every one year if notice is provided at least six months prior to the rate year.

#### **4.0 DETERMINATION OF RELATIVE VALUES OF THE DIAGNOSTIC CATEGORIES**

**4.01 Determination of relative values.** The Department determines the relative values of the diagnostic categories as follows:

A. Select Medical Assistance claims for Minnesota and local trade area hospitals with admission dates from each hospital's base year.

B. Exclude the claims and charges in subitems (1) to (6):

(1) Medicare crossover claims;

(2) claims paid on a per day transfer rate basis for a period that is less than the average length of stay of the diagnostic category in effect on the admission date;

(3) inpatient hospital services for which Medical Assistance payment was not made;

(4) inpatient hospital claims that must be paid during the rate year on a per day basis without regard to relative values during the period for which rates are set;

(5) inpatient hospital services not covered by the Medical Assistance program on October 1 prior to a rebased rate year;

(6) inpatient hospital charges for noncovered days calculated as the ratio of noncovered days to total days multiplied by charges.

C. Separate claims that combine the stay of both mother and newborn into two or more claims according to subitems (1) to (4).